

VZCZCXRO3882
RR RUEHCN RUEHGH RUEHVC
DE RUEHGZ #1186/01 3040901
ZNR UUUUU ZZH
R 310901Z OCT 07
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 6605
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEAIIA/CIA WASHDC
RUEKJCS/DIA WASHDC

UNCLAS SECTION 01 OF 02 GUANGZHOU 001186

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [EINV](#) [ECON](#) [PGOV](#) [CH](#) [HK](#) [TW](#)

SUBJECT: CHINA DECLARES SUCCESS AT THE 102ND CANTON FAIR

REF: GUANGZHOU 1183

(U) This document is sensitive but unclassified. Please protect accordingly.

11. (SBU) Summary: Another record-breaking Canton Fair closed yesterday with increases in contract orders; attendance was lower. Attention to toy safety, export tariff policy changes, intellectual property rights and foreign imports all affected the final numbers, with a ten percent decline in toy sales at the fair. In the first ever U.S. Consulate-hosted forum at the Canton Trade Fair, U.S. government and business representatives discussed - with an appreciative Chinese audience - American goods and services available for import and the impact of export controls on PRC companies doing business with the United States (reftel). End summary.

Visitors Down, Total Value of Orders Up

12. (U) Total attendance at the 102nd China Import Export Commodities Fair (Canton Fair) was reported down 8 per cent when it ended on October 30. Press reports cited a total of 189,500 visitors for the fair, but a 2.9 per cent increase in the value of orders placed when compared with the April session. The total value of orders was USD 37.45 billion, which exceeded the spring session and which was a 10 per cent increase over the fall 2006 (100th) fair.

13. (U) Deals with the European Union were worth USD 12.05 billion, up 7.1 per cent; the United States, USD 5.83 billion, up 7.8 per cent; and the Middle East, USD 4.42 billion, up 3.9 per cent. Those with Asian countries including South Korea, Kyrgyzstan, Tajikistan and Uzbekistan also saw gains. China's coastal regions were the most sought out areas for deals, with Guangdong's transactions valued at USD 9.73 billion. This was first among China's provinces, followed in the top five by Zhejiang, USD 4.91 billion; Jiangsu, USD 3.95 billion; Shandong, USD 3.18 billion; and Shanghai, USD 1.88 billion.

14. (U) Some manufacturing industries saw modest gains at this fair, with mechanical and electrical industries contributing most to the total export value at USD 15.62 billion, up 6.4 per cent. Light industrial products held steady at USD 12.18 billion, a slight increase of 0.3 per cent; and agricultural products rose to USD 1.2 billion, up 3.7 per cent.

Toy Orders Falling

15. (SBU) One area of the fair receiving increased attention was the toy industry. Media and private contacts all cited falling toy orders as a major area of concern for China, although there was no agreement on the specific cause of this decrease. Fair organizers announced that total toy orders dropped 10 per cent this session,

falling to US\$960 million and attributed the decrease to the negative impact of the recent tariff policy change. In addition, the number of toy buyers attending this session of the fair dropped by 30-40 per cent. Toy manufacturers and government officials cited negative foreign press, which had exaggerated the seriousness of safety concerns and led to questions about product quality.

Impact of tariff rebate policy change

¶6. (U) According to a spokesman for the Canton Fair, the recent tariff rebate policy change also had a negative impact on garments, footwear, toys and motorcycles. Garment orders fell 8.8 per cent from the previous Fair to USD 3.02 billion; footwear orders were down 9.2 per cent to USD 1 billion; toys were down 10 per cent to USD 960 million; and motorcycles, 30.7 per cent to USD 290 million. The spokesman went on to say that general textiles, furniture, and suitcase orders were unaffected by the changes to tariff rebates, with increases of 6.1 per cent, 9.5 per cent and 10.2 per cent, respectively.

More IPR Violations Verified

¶7. (U) There were 877 IPR complaints against exhibitors at the fair (up 17.9 per cent); 595 of them involved 876 companies (up 18.1 per cent). Five Chinese firms were found to have violated IPR policies for the second straight session; as a result, these companies have been disqualified from exhibiting at the next six consecutive sessions of the Canton Fair (a total of three years).

Increasing Attention to Foreign Imports

GUANGZHOU 00001186 002 OF 002

¶8. (SBU) This Fair, like the 101st, featured an exhibition area for foreign importers who sought orders from local Chinese firms. The import pavilion area expanded by 50 per cent in this session and attracted 480 enterprises from 57 countries and regions; data on import deal totals is not currently available. Canton Fair organizers also invited foreign consulates in Guangzhou to make presentations on importing to China; five Consulates General in Guangzhou participated -- the United States, United Kingdom, Australia, France and Korea (reftel).

GOLDBERG